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Landmark Melbourne hotels sold under the hammer

Melbourne, VIC (24 February 2010)

Four landmark Melbourne pubs leased to the 75% Woolworths-owned Australian Leisure & Hospitality Group (ALH) were today sold under the hammer for a combined value of \$29.85 million.

CBRE Hotels and Burgess Rawson negotiated the auction sales of the Royal Hotel, Essendon; Mountain View Hotel, Glen Waverley; Westmeadows Tavern, Westmeadows; and Eltham Hotel, Eltham.

The properties were offered for sale by the listed ALE Property Group as part of a larger hotel portfolio. A further three Brisbane hotels are scheduled to be auctioned on March 3 at the Brisbane Polo Club.

The Mountain View Hotel achieved the highest sale of \$10.9 million, translating to a sale yield of 6.95%. Competitive bidding saw the Westmeadows Tavern at Westmeadows sell for \$4.4 million on a yield of 6.2%, while the Royal Hotel at Essendon sold for \$6.785 million on a yield of 6.27%. The Eltham Hotel at Eltham changed hands for \$7.9 million on a yield of 6.43%.

CBRE Hotels' agents Joel Fisher, Scott Callow and Craig Harley were the joint marketing agents for the properties in conjunction with Raoul Holderhead, Billy Holderhead, Pat Kelly and Dean Venturato of Burgess Rawson.

Mr Fisher said there was strong local and interstate bidding for all four properties. The Mountain View, Royal and Eltham Hotels sold to local private investors, with the Westmeadows Tavern selling to a Sydney-based buyer.

The weighted average cap rate on the four sales was 6.55% - or 6.32% excluding the higher end Mountain View sale. ALE Property Group Managing Director Andrew Wilkinson said this compared favourably to the 6.47% average cap rate across ALE's sub \$10 million hotel portfolio.

Mr Fisher said the bidding at today's auction set the stage for next week's auction of the Stones Corner Hotel, Stones Corner; Royal Exchange Hotel, Toowong; and Oxford 152 Hotel, Bulimba - all in Brisbane.

"The long term leases and the blue chip tenancy covenants set these assets apart from any recent hotel offerings, with the opportunity to purchase a long term cash flow linked annually to CPI, backed by one of Australia's largest companies not often seen in the hotel market," Mr Fisher said.

CBRE's Scott Callow said the Melbourne the properties had attracted considerable buyer interest, underpinned by the strength of the ALH lease covenant.

"We are continuing to field strong private investor demand for smaller value properties with long term leases to high quality tenants," Mr Callow said.

"In this instance, investors were given the opportunity to buy well established, highly successful hotels which provide long term, CPI indexed rental cash flows backed by Australia's largest and most successful hotel operator."

All seven ALH properties were offered for sale with around 19 years remaining on leases to ALH, with options to renew for a further four, 10-year terms. The leases are Triple Net (other than QLD land tax) and include yearly November CPI rent adjustments and a collared market rent review in 2018, offering the incoming owner a secure and unusually long term inflation indexed revenue stream.

Mr Raoul Holderhead of Burgess Rawson added, "as a further bonus, the ALH business is 75% owned by Woolworths, Australia's leading retailer. ALH operate more than 280 licensed venues and over 450 retail liquor outlets across Australia. The business has - and continues to be - one of Woolworths' stronger performing divisions."

"All seven ALH properties are long established and successful businesses," Mr Holderhead said.

"There is a flight to quality in the current market and we are fielding strong demand for assets in this price range which offer highly secure income streams and quality lease covenants."

Brisbane's Oxford 152 Hotel is expected to attract particularly strong investor interest at next week's auction. The landmark property is located in one of Brisbane's most popular riverfront suburbs, just four kilometres from the CBD. The recently refurbished property includes a drive through BWS, high profile restaurant and gaming room on a large 4,674sqm site. Net annual income is circa \$408,589

A second inner Brisbane hotel on offer is the Stones Corner Hotel, located five kilometres from the CBD. Mr Harley said the character hotel has an al fresco focus and included a drive through BWS, gaming lounge and function room on a large 2,716sqm site. Net annual income is circa \$527,718.

The third Brisbane offering is the landmark Royal Exchange Hotel, which is located directly opposite the Toowong Village regional shopping centre. Established in 1876, the hotel is located on a significant site of 2,453sqm and includes a TAB, gaming lounge, BWS bottle shop and generous beer gardens. Net annual income is circa \$491,787.

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